

United States Senate

WASHINGTON, DC 20510-4305

November 20, 2009

Dear Texas physicians:

Americans across the country are concerned about rising health care costs for American families, which leaves coverage out of reach for millions of Americans. Our existing government health programs are desperately in need of reform: Medicaid is plagued with access and fraud problems, and the Medicare program will be insolvent by 2017. The need for health care reform is real, but that reform must be the right kind of reform. Reform must lower health care costs for American families, taxpayers, and businesses. Unfortunately, I am convinced that the overhaul proposals from Washington so far will exacerbate our current problems instead of fixing them.

The latest proposal to reform our health care system was released late on Tuesday, November 18th, by Senate Majority Leader Harry Reid. This Saturday, the full Senate will vote on whether to begin debate on the \$2.5 trillion, 2,074-page Reid bill. If 60 senators vote to begin debate, I expect the full Senate to spend at least the month of December considering the Reid health care bill. Until we have had a chance to read and analyze all 2,074 pages, it is impossible to fully grasp the Reid bill's impact on all 300 million Americans and every aspect of our \$2.6 trillion health care system. I am writing to solicit your help in analyzing the Reid bill. Throughout the upcoming debate, I plan to share with Washington the concerns and the ideas of Texans. I would value your feedback on the Reid bill generally and, more specifically, your thoughts on each of its following policies:

- The Reid bill will spend \$2.5 trillion over 10 years once all of the spending provisions begin. Washington has accumulated an unprecedented \$12 trillion national debt and record \$1.4 trillion deficit this year. The New York Times just reported that during President Obama's visit to China, the Chinese "wanted to know, in painstaking detail, how the health care plan would affect the deficit." If Congress passes Reid's \$2.5 trillion bill on top of existing national debt, there will be tremendous budgetary pressures to make further cuts to provider reimbursements.
- The Reid bill's new mandates and taxes on private health benefits that would increase premiums for American families. While the Congressional Budget Office (CBO) has not been given time to analyze the Reid bill's impact on premiums, every other independent analysis to date has found that health care premiums would increase for American families as a result of Reid's policies. Nationally recognized actuarial firms estimated that the Senate Finance Committee's proposal would increase premiums by 20 to 50 percent, which means the Reid bill's impact would likely be even greater. By only allowing premium rates to vary by 3 to 1 based on age, the Reid bill would acutely impact young, healthy Americans.
- The Reid bill will raise taxes by \$493.6 billion—nearly half a trillion dollars—over the next decade. This comes at a time the economy is struggling to recover from a recession and that unemployment is at a 26-year high. Furthermore, many of these taxes will be imposed years *before* the spending in the bill begins. These taxes include a new proposal to increase the Medicare payroll tax, which could harm small businesses, and a \$20 billion new tax on medical devices, which will impact hospitals and ultimately be passed onto patients.

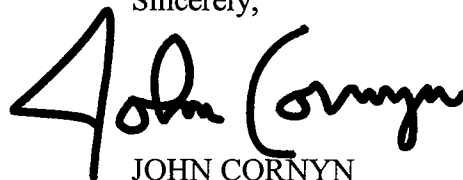
- The health care bills we have seen so far do not effectively address health care costs generally. Regarding the House health care bill, the Obama Administration's Office of the Actuary at the Center for Medicare and Medicaid Services (OACT) stated, "...we estimate that most of the provisions of H.R. 3962 that were designed, in part, to reduce the rate of growth in health care costs would have a relatively small savings impact." OACT has not yet analyzed the Reid bill, but the provisions intending to reduce cost growth are similar.
- The Reid bill will gut the already insolvent Medicare program by \$464.6 billion. OACT has found that cuts of this magnitude will jeopardize access to care for seniors. OACT stated, "Thus, providers for whom Medicare constitutes a substantive portion of their business could find it difficult to remain profitable and might end their participation in the program (possibly jeopardizing access to care for beneficiaries)."
- The Reid bill does not include a permanent fix to the Sustainable Growth Rate (SGR) used to reimburse physicians under Medicare. Despite the fact that the Reid bill cuts \$464.6 billion from the Medicare program, it does not include a permanent fix to the flawed SGR. Rather, the bill includes a one-year, 5 percent update, but in 2011 physicians will face a 23 percent pay cut.
- The Reid bill includes an unaccountable Independent Medicare Advisory Board. This Board's recommendations regarding cuts to the Medicare program would become law without Congressional action.
- The Reid bill mandates participate in the Physician Quality Reporting Initiative. Physicians who do not participate in this program would eventually face penalties.
- The Reid bill would cut reimbursements for specialty physicians. While the Reid bill gives bonuses to primary care physicians and general surgeons in rural areas, the Reid bill would "pay for" that partially through cuts to other physicians.
- The Reid bill does not achieve universal coverage. CBO has estimated that the Reid bill will leave 6 percent—or 24 million—of the population uninsured nationally. With our unique population demographics, the level of uninsured in Texas could stay much higher than 6 percent.
- The coverage expansions do not begin until 2013—years from now. The subsidies for coverage in the health exchanges do not begin until 2013, and poor Americans will have to wait until 2014 to receive Medicaid benefits.
- The Reid bill includes the biggest expansion of the Medicaid program since it was created, which means Medicaid will be the only choice for 60 million poor Americans. Not only do Medicaid's low reimbursement rates mean limited access to care for Medicaid patients, the cost-shifting that results from these low rates means higher costs for patients with private insurance. These problems will be exacerbated under the Reid bill, which expands Medicaid up to 133 percent of the federal poverty level. Additionally, analyses of similar Medicaid expansions have shown this will place an unfunded mandate of more than \$20 billion on Texas taxpayers crowding out other Texas funding priorities.
- The Reid bill would create a new government plan. The non-partisan CBO has said that Reid's government plan will charge higher premiums than private plans and cause millions of Americans to lose the coverage they have. Additionally, as budgets tighten in the long run, it is likely that Reid's government plan will eventually pay at the same rates as the Medicare program.

- CBO has said that the Reid bill will bend the health care cost curve in the wrong direction. According to CBO, “Under the legislation, federal outlays for health care would increase during the 2010–2019 period, as would the federal budgetary commitment to health care.” Similarly, the OACT found that while America spends 17 percent of our gross domestic product on health care today—more than any other country in the world—the similar House health reform bill would increase that to 21.1 percent by 2019.

These initial findings are troubling, to say the least. My staff and I will be pouring over the 2,074 pages, and I would specifically value your insights on how the Reid bill will affect physicians and their patients in Texas. You can access the full text of the Reid bill from my web site: <http://cornyn.senate.gov/public/?p=HealthCareReformHQ>. The CBO score of the legislation can be found at: http://www.cbo.gov/ftpdocs/107xx/doc10731/Reid_letter_11_18_09.pdf. Please do not hesitate to contact me, if I can provide any further information about the bill or the specific provisions I have outlined above.

While most Americans believe our health care system needs reform, I am convinced that the Reid bill is not the kind of reform America needs. There is still time to start over, for Democrats and Republicans to work together, and to implement common-sense solutions that lower the costs of health care.

Sincerely,

A handwritten signature in black ink that reads "John Cornyn". The signature is written in a cursive style with a large, stylized "J" and "C".

JOHN CORNYN

United States Senator